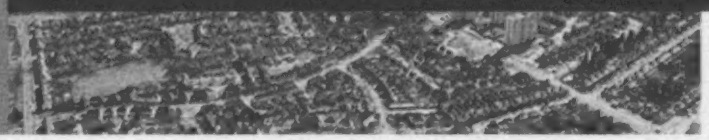
HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

Peterborough CMA



Canada Mortgage and Housing Corporation

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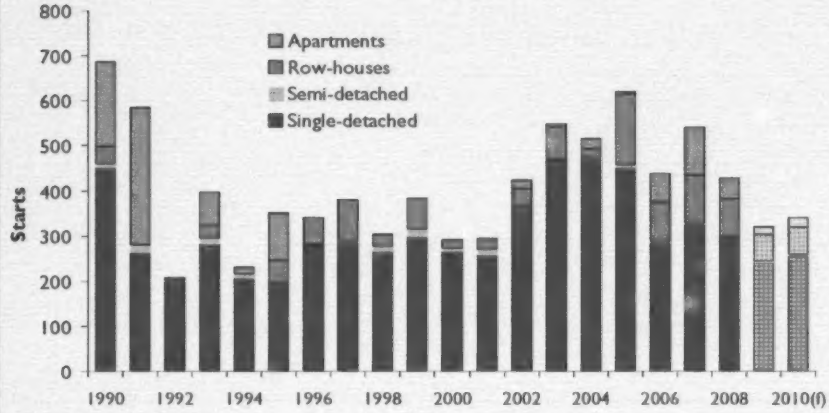
New Home Market

Less Spill-Over to New Home Market

Home starts in Peterborough Census Metropolitan Area (CMA) will decline over the remainder of 2009 before they start showing a slow recovery in 2010. Less demand for ownership housing and ample choice in the existing home market is prompting more buyers to meet their housing needs through the resale home market. This is limiting the spill-over of demand into the new home market. Therefore, housing starts will move lower in 2009 to 320 units, 25 per cent down from the year prior. Single-detached starts are anticipated to decrease by 20 per cent in 2009, while rows and apartments starts will fall by 41 per cent.

Figure 1

Pullback of New Housing Starts



Source: CHMC forecasts

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HOME TO CANADIANS

Single-detached homes are the dominant type of housing in Peterborough with a market share of over 70 per cent of new construction. The demand for this type of dwelling is supported by mature migrants coming mainly from Toronto.. However, a high new-home to existing-home price differential will encourage buyers to opt for an existing home.

Row houses and apartments are expected to decrease by 27 and 65 per cent respectively in 2009. Starts of these types of housing in Peterborough can fluctuate significantly from year to year. The decrease in 2009 is mostly due to fewer sales and developers' reluctance to produce new housing in a period of economic weakness..

On the supply side, a decreasing inventory of newly completed and unsold homes will limit the decline in new home prices. As result, new home prices for the singles-detached segment will decrease only by three per cent in 2009. This price adjustment reflects less construction of high value homes and slower demand due to consumer cautiousness. The new home price will average $334,000 in 2009. As downward pressure from a slow economy will ease sometime in 2010, prices will start to stabilize.

Land for development is not a significant constraint. City council has approved a subdivision plan for 96 units in the northern part of the city and a quarter of the total units have been already sold. This subdivision's development will sustain starts at the forecast level.

Resale Home Market

Deceleration of the Resale Market Continues in 2009

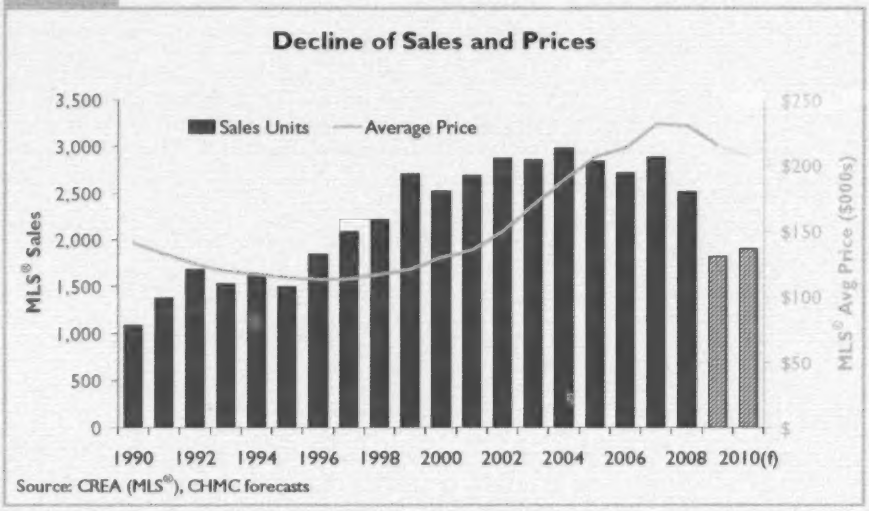
The cooling off of sales in 2008 and the first quarter of 2009 is expected to continue through the rest of 2009. The number of sales is expected to dip by 27 percent in 2009 to reach 1,820 units down from 2,506 in 2008. Despite low carrying costs driven by low mortgage rates, consumer cautiousness and uncertainty about the job market are major factors causing the housing market slowdown.

Prior to 2009, price appreciation brought sellers to the market. This trend is changing in 2009. Therefore, new listings will decrease by nine per cent. No evidence of distress selling is seen in the market.

The sales-to-new-listings ratio, a leading indicator of future price growth and a measure of market conditions, will retreat below the 40 per cent level in 2009. As a result, the market will favour buyers, a trend expected to continue for the whole year. While many factors contributed to slower housing activity, some positive factors will help to keep the market from facing as severe a slowdown as seen in early 1990s. Low interest rates, a relatively low unemployment rate compared to other regions and affordable prices will help to keep demand at a reasonable level.

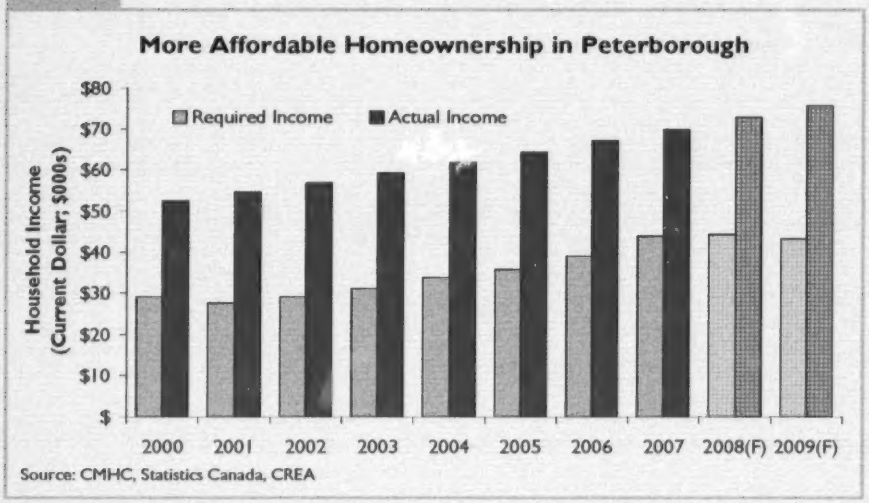
In Peterborough CMA, prices are expected to decline further; the average price is anticipated to decrease by 6.8 per cent in 2009 to $215,000. This trend will continue in 2010 but at a lower pace. Sales tax harmonization is expected to slightly increase real estate transaction costs, which may reduce the price ob-

Figure 2



Source: CREA (MLS®), CHMC forecasts

Figure 3



tained by the seller, given soft market conditions.

Tighter Rental Housing Market

The vacancy rate decreased in 2008 for the first time in four years and is expected to show the same trend in 2009. Demand will increase because fewer households will be moving out of rental units into ownership housing but supply will be relatively stable since there has been little construction of rental units. In 2009, the vacancy rate is expected to drop to 2.2 per cent.

Some potential homebuyers are deciding to delay the move to ownership until they feel the market has stabilized and at the same time, they have saved more for a downpayment. However, the measures to stimulate the economy and record low mortgage rates have increased ownership affordability and will boost the optimism in the housing market.

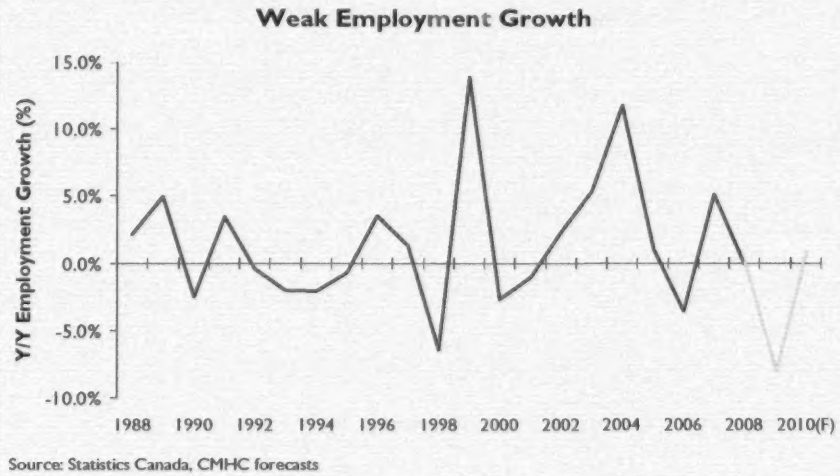
Local Economy

Less Employment Opportunities

Peterborough's employment has started showing the ripple effects of economic slowdown elsewhere. Employment registered a downturn in the first three months of 2009 and is expected to continue decreasing through the year, marking an eight per cent drop for the whole year. Because of the decline in job opportunities, some people will withdraw from the workforce to retire or go back to school. The labour force is expected to drop by 7.5 per cent to 55,900 in 2009 from 60,400 recorded in 2008.

A decrease to both employment and the labour force of roughly the same magnitude will translate into a slightly higher unemployment rate of 6.8 per cent this year compared to 6.3 per cent recorded in 2008. The Peterborough labour market is still in a better position than most centres in Ontario where the unemployment rate has risen over eight per cent. Part-time jobs have declined somewhat, but full-time positions have held up relatively well. However, over the course of 2009, it is expected the decline in

Figure 4



full-time jobs will exceed the fall in part-time jobs. Employment prospects are holding up best for the age group between 25 and 44 years old, and to a lesser degree, the 45 to 64 year old age group. Education and services in support of an ageing population will continue to grow, supporting employment growth. Employment in transportation is also holding up, while trade and construction are declining.

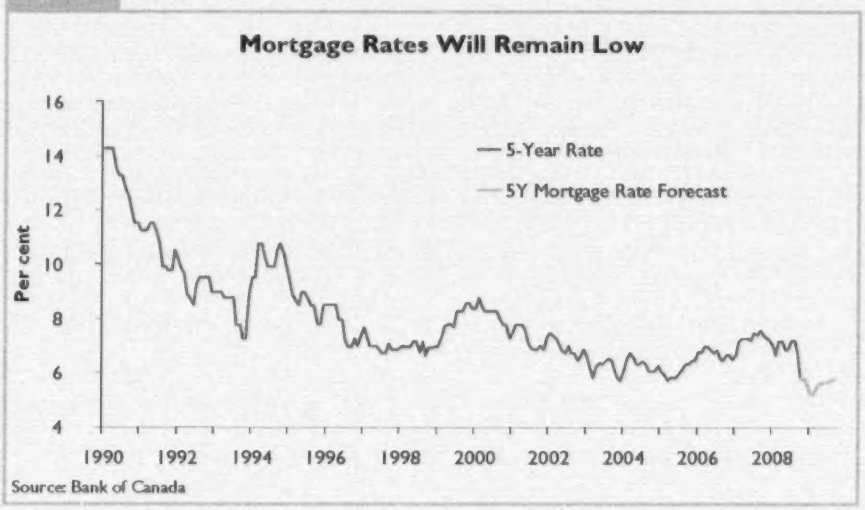
Many signs are positive about Peterborough's employment outlook. While the closure of Craaytech – a products supplier primarily to the automotive industry – has left 143 people unemployed, the new Loblaws Superstore has hired 170 additional employees. Meanwhile, the provincial government has granted seven millions dollars to the local school board for school upgrades and has decided to extend Highway 407 to Highway 35/115. This highway extension will be operating by 2013. These projects will definitely have positive impacts on employment and the local economy in the coming years. In addition, fiscal stimulus will boost non-residential construction.

Average weekly earnings in Peterborough are expected to increase in 2009 and 2010. Furthermore, fewer job opportunities in the west will temper the inter-provincial outflows. Hence, net migration will increase to 610 in 2009 from 600 in 2008.

Mortgage Rates

Mortgage rates are expected to be relatively stable throughout 2009, remaining within 25-75 basis points of their current levels. Posted mortgage rates will increase very gradually during the course of 2010, reflecting a rise in government of Canada bond yields. For 2010, the one year posted mortgage rate will be in the 4.75-6.00 per cent range, while three and five year posted mortgage rates are forecast to be in the 5.00-6.75 per cent range.

Figure 5



Source: Bank of Canada

Forecast Summary Peterborough CMA Spring 2009	2006	2007	2008	2009f	% chg	2010f	% chg
Resale Market							
MLS® Sales	2,714	2,880	2,506	1,820	-27.4	1,900	4.4
MLS® New Listings	4,960	5,085	5,264	4,800	-8.8	5,050	5.2
MLS® Average Price ($)	213,469	231,596	230,656	215,000	-6.8	207,000	-3.7
New Home Market							
Starts:							
Single-Detached	283	324	300	240	-20.0	255	6.3
Multiples	154	216	128	80	-37.5	85	6.3
Semi-Detached	4	4	0	4	-	4	0.0
Row/Townhouse	89	107	82	60	-26.8	61	1.7
Apartments	61	105	46	16	-65.2	20	25.0
Starts - Total	437	540	428	320	-25.2	340	6.3
Average Price ($):							
Single-Detached	298,272	342,152	345,328	334,000	-3.3	330,000	-1.2
New Housing Price Index (% chg. Ontario)	3.7	2.6	3.5	n/a	-	n/a	-
Rental Market							
October Vacancy Rate (%)	2.8	2.8	2.4	2.2	-	2.0	-
Two-bedroom Average Rent (October) ($)	818	822	850	870	-	890	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.28	6.90	6.70	4.80	-	5.29	-
Mortgage Rate (5 year) (%)	6.66	7.07	7.06	5.64	-	5.94	-
Annual Employment Level	53,900	56,700	56,600	52,100	-8.0	52,500	0.8
Employment Growth (%)	-3.6	5.2	-0.2	-	-	-	-
Unemployment rate (%)	6.1	5.7	6.3	6.8	-	6.7	-
Net Migration (Peterborough County) (1)	982	800	600	610	1.7	600	-1.6

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = apartments 3+
(1) 2007 migration data is forecasted

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